

## Message Text

CONFIDENTIAL

PAGE 01 BRUSSE 09832 01 OF 02 221204Z  
ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-11  
OIC-02 JUSE-00 CTME-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-07  
ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15  
IO-13 /169 W

-----077118 221218Z/46

P 221152Z MAY 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC PRIORITY 6663  
INFO ALL EC CAPITALS  
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 09832

USEEC

GENEVA FOR MTN

ROME FOR RIVERS

E.O. 11652: GDS  
TAGS: ETRD, EEC  
SUBJECT: MTN: INTERNAL EC DISCUSSION

1. EC DIRECTOR FOR GATT AFFAIRS RAYMOND PHAN VAN PHI  
TOLD MISSION OFFICER ON MAY 17 THAT COMMISSION IS  
KEEPING OPTIONS OPEN ON HOW TO PLAY UPCOMING EC COUNCIL  
MEETINGS IN TERMS OF REACHING FINAL DECISIONS ON VARIOUS  
MTN ISSUES.

2. HE SAID THAT, AS PACE OF NEGOTIATIONS HAS PICKED  
UP IN GENEVA, MOST MEMBER STATE TRADE POLICY PEOPLE  
HAVE FOUND IT DIFFICULT TO KEEP UP TO DATE WITH STATE  
OF PLAY ON INDIVIDUAL SUBJECTS. HE EXPECTS HIGH-LEVEL  
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PAGE 02 BRUSSE 09832 01 OF 02 221204Z

ARTICLE 113 COMMITTEE MEETING OF MAY 19 TO BE LARGEMLY  
AN UPDATING EXERCISE ON PART OF COMMISSION OFFICIALS  
FOR MEMBER STATE DELEGATIONS. HE DID NOT ANTICIPATE  
THAT ANY OF THE MEMBER STATES WOULD TRY TO BLOCK  
NEGOTIATION OR CHANGE COURSE ON ANY ISSUE DURING  
MAY 19 MEETING.

3. IN THIS REGARD, HOWEVER, HE SINGLED OUT TWO AREAS OF NEGOTIATION WHERE USG NEEDS TO KEEP IN MIND LIMITATIONS PLACED ON COMMISSION BY MEMBER STATES. ON GOVERNMENT PROCUREMENT, HE HOPED THAT US WOULD MOVE TOWARD A REALISTIC FINAL POSITION ON COVERAGE AND ACCEPT THAT PRODUCTS NOT PRESENTLY COVERED IN THE EC INTERNAL PROCUREMENT DIRECTIVE WERE OUT OF BOUNDS IN THE CURRENT MTN. ON SUBSIDIES/COUNTERVAIL HE NOTED THAT COMMISSION OFFICIALS ARE CONCERNED THAT ATTEMPT TO DEFINE A LIST OF INTERNAL SUBSIDIES AS PART OF AN OVERALL AGREEMENT WOULD TAKE MUCH LONGER THAN PRESENT AGREED TIMEFRAME FOR MTN. WHEN MISSION OFFICER NOTED THAT MEMBER STATE REPRESENTATIVES HAD SEEMED RELATIVELY WILLING TO DISCUSS THE IDEA OF A LIST DURING APRIL MEETING WITH US NEGOTIATORS, HE FURTHER REFINED HIS THINKING. HE SAID THAT, ON REGIONAL AIDS, IT WAS MORE OR LESS SIMPLE TO REACH AGREEMENT THAT REGIONAL AIDS SHOULD NOT EXCEED AMOUNTS NECESSARY TO COMPENSATE FOR DISADVANTAGES OF A GIVEN REGION AND THEREFORE MEMBER STATES COULD BE SOMEWHAT RELAXED. ON STATE PARTICIPATION, HOWEVER, IT WOULD BE IMPOSSIBLE FOR THE EC TO AGREE TO ANY QUANTIFIED DEFINITION OF EXCESSIVE SUBSIDY. MOREOVER, WITH THE BEST OF INTENTIONS, MEMBER STATES WOULD NEED TO SEEK WIDE INTER-GOVERNMENTAL AGREEMENT FOR ANY RULING ON STATE PARTICIPATION, INVOLVING NUMEROUS MINISTRIES AND MANY MONTHS OF

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PAGE 03 BRUSSE 09832 01 OF 02 221204Z

DISCUSSION. FOR THIS REASON, PHAN VAN PHI SAID COMMISSION WAS HOPEFUL THAT US COULD EVENTUALLY AGREE TO A MORE GENERAL DEFINITION, BASED ON TRADE EFFECTS, AND AVOID ELABORATION OF A LIST. HE RECOGNIZED THAT US NEGOTIATORS WERE UNDER DEFINITE OBLIGATION TO BRING HOME AN AGREEMENT ACCEPTABLE TO CONGRESS, PARTICULARLY ON INTERNAL SUBSIDY SIDE. HE WAS AWARE OF CURRENT RIVERS DISCUSSION WITH MEMBER STATES AND THOUGHT THAT THE LIST OF THOSE APPROACHED (ITALY, FRANCE, UK AND FRG) WAS ABOUT RIGHT.

4. ON AGRICULTURE, PHAN VAN PHI WAS CONCERNED THAT POSITION OF US NEGOTIATORS ON FEED GRAINS AGREEMENT DURING INTERIM COMMITTEE DISCUSSIONS IN GENEVA IN LATE APRIL HAD NOT BEEN SUFFICIENTLY FORTHCOMING. HE WAS AWARE OF CONSTRAINTS ON USG, SPECIFICALLY THAT IDEA OF A FEED GRAINS AGREEMENT IS NOT POPULAR AMONG FARM CONSTITUENCY. WHEN MISSION OFFICER NOTED NECESSITY TO IMPROVE AGRICULTURAL TARIFF OFFERS, PHAN VAN PHI AGREED THAT THE EC NOW NEEDED TO ADDRESS THIS QUESTION. HE SAID THAT COMMISSIONER GUNDELACH HAD ASKED US TEAM NOT TO PUSH THIS QUESTION UNTIL AFTER

SETTLEMENT OF EC INTERNAL PRICE PACKAGE. PHAN VAN PHI RECOGNIZED THAT TIME HAD COME TO LOOK AT TARIFF QUESTION. HE NOTED THAT ONE REAL PROBLEM IS LACK OF MANPOWER IN DG-VI ON MTN. HE SAID THAT, AT WORKING LEVEL, JACQUOT IS BASICALLY HANDLING THE ENTIRE NEGOTIATION, BOTH COMMODITY AGREEMENTS AND SPECIFIC QUESTIONS.

5. WITH RESPECT TO THE TWO FOREIGN MINISTERS COUNCILS IN JUNE (JUNE 6 AND 27) PHAN VAN PHI SAID THAT COMMISSION HAS NOT YET FULLY DECIDED ON HOW TO HANDLE PRESENTATION OF EVENTUAL DECISIONS AND AGREED COMPROMISES. HE SAID THAT COMMISSION HAS THREE OPTIONS FOR ANY FOREIGN MINISTERS COUNCIL, I.E. TO PRESENT A STATUS REPORT, TO SEEK A DISCUSSION OR TO PRESENT FORMAL RECOMMENDATIONS FOR CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BRUSSE 09832 01 OF 02 221204Z

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PAGE 01 BRUSSE 09832 02 OF 02 221204Z  
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IO-13 /169 W

-----077119 221218Z /46

P 221152Z MAY 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC PRIORITY 6664  
INFO ALL EC CAPITALS  
USMISSION GENEVA

C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 09832

USEEC

GENEVA FOR MTN

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DECISION. AT THE MOMENT, COMMISSION THOUGHT THAT JUNE 6 COUNCIL WOULD PROBABLY BE LIMITED TO A REPORT AND PERHAPS SOME DISCUSSION. DEPENDING ON THE STATE OF NEGOTIATIONS IN GENEVA, THE JUNE 27 COUNCIL COULD BE PRESENTED WITH RECOMMENDATIONS FOR DECISION. ANOTHER OPTION, WHICH HE SAID THE FRG (WHICH ASSUMES THE COUNCIL PRESIDENCY ON JULY 1) WAS CONSIDERING IS TO ORGANIZE "SOMETHING" AROUND THE EUROPEAN COUNCIL SCHEDULED FOR JULY 6-7 IN BREMEN. HINTON

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE ORGANIZATIONS, NEGOTIATIONS  
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**Draft Date:** 22 may 1978  
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**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Executive Order:** GS  
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